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## Performance

The beauty of the CC system is that it gives the committee members the freedom to assess each partner's performance on a wide range of areas. Firms that use the CC system are making a statement: They value traditional production measures but they ...

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Firms use several methods to allocate income among the partners. At firms with 8 or more partners the compensation committee system is by far the most common. With

this approach a small number of partners are elected to allocate income using their

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Here are the most common performance criteria:

## Production

Firms look at the “Big 3” production measures: Finding, minding and grinding – bringing in business, the size of the client base managed and billable hours. Smaller firms tend to place all or most of the comp system emphasis on production, to the exclusion of other important, so-called intangibles.

## Leadership

Regardless of whether your firm selects a CC or not, the value of leadership positions such as the MP, PICs and serving on the Board must be properly recognized and rewarded. Leadership demonstrated by line client service partners (those without official management roles) is also important.

## Staff

Firms these days are quick to say they value their staff as much as clients. But many firms fail to walk the talk. Each partner should be evaluated on the extent that they helped staff, by name, to learn and grow. Also, upward evaluations of the partners by the staff is an excellent tool to use.

## Client service

Providing clients with world class service, helping them grow and retaining them – nothing can be more important. The MP of a large firm once told me that a few of these performance criteria have a higher standard than others, saying that “if you flunk, you're out” (of the firm). Client service was one of them.

# Goal setting

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Examples: Timely adherence to the firm's policies and procedures, living and breathing the firm's core values, being a good partner, communicating well with partners and staff.

## People skills

The CPA firm business is all about people, contrary to what some may think. All people – clients, staff, partners and referral sources. Enlightened firms have a low tolerance for excellent technicians who don't play well with others.

## Teamwork

This can be one of the most difficult areas of performance for many partners because firms naturally tend to revolve around individual partners and their respective client bases, thus offering relatively few opportunities to truly work as a team. But there are many ways for partners and staff to work together particularly in client service, as exemplified below.

## Client transition

This is the criterion that raises eyebrows. It's measured by the following: If partners should suddenly leave the firm, will their clients stay? Firms have told me for years that the best form of client transition is to start the process when a client walks in the door. If partners make sure that clients are serviced by a team instead of relying solely on the originating partner, they will be less likely to leave the firm after a sudden partner departure because they value the relationships they have with other members of the firm.

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Selecting the criteria on which to assess partner performance is the easy part. What's

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